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CAPITAL AREA LEGAL SERVICES CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2007

RECIPIENT NO. 619010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/18/08

CAPITAL AREA LEGAL SERVICES CORPORATION

RECIPIENT NO. 619010

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BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

4112 West Congress
P.O. Box 61400
Lafayette, Louisiana 70596-1400
phone: (337) 988-4930
fax: (337) 984-4574
www.bplb.com

Other Offices:

Crowley, LA
(337) 783-5693
Opelousas, LA
(337) 942-5217
Abbeville, LA
(337) 898-1497
New Iberia, LA
(337) 364-4554
Church Point, LA
(337) 684-2855

Herbert Lemoine II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
L. Charles Abshire, CPA*
P. John Blanchet, III, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
George J. Trappey, III, CPA*
Martha B. Wyatt, CPA*
Fayette T. Dupré, CPA*
Mary A. Castille, CPA*
Joey L. Breaux, CPA*
Terrel P. Dressel, CPA*
Craig J. Viator, CPA*
Stacey E. Singleton, CPA*
John L. Istre, CPA*

Retired:

Sidney L. Broussard, CPA 1925-2005
Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Lawrence A. Cramer, CPA* 1999
Ralph Friend, CPA* 2002
Donald W. Kelley, CPA* 2005

*Members of American Institute of
Certified Public Accountants
Society of Louisiana Certified
Public Accountants*

* A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Capital Area Legal Services Corporation (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Area Legal Services Corporation as of December 31, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2008, on our consideration of Capital Area Legal Services Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Capital Area Legal Services Corporation taken as a whole. The accompanying schedules listed in the table of contents, including the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Broussard Locke Lewis & Pearsall LLP

Lafayette, Louisiana
April 21, 2008

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CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 121,456 | \$ 111,038 |
| Grants and contracts receivable | 54,608 | 109,989 |
| Other current receivables | - | 19,247 |
| Prepaid expenses | <u>28,534</u> | <u>12,811</u> |
| Total current assets | <u>204,598</u> | <u>253,085</u> |
| RESTRICTED ASSETS | | |
| Cash and cash equivalents: | | |
| Client trust accounts | <u>70,098</u> | <u>64,675</u> |
| NONCURRENT ASSETS | | |
| Utility deposits | <u>278</u> | <u>278</u> |
| FIXED ASSETS , at cost, net of accumulated depreciation of \$389,055 and \$371,886 , respectively | <u>502,277</u> | <u>466,717</u> |
| Total assets | <u>\$ 777,251</u> | <u>\$ 784,755</u> |

See Notes To Financial Statements.

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|-------------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES (payable from unrestricted assets) | | |
| Accounts payable | \$ 24,735 | \$ 26,635 |
| Line of credit | 49,968 | 49,968 |
| Accrued liabilities | 12,061 | 11,350 |
| Accrued annual leave | 39,578 | 34,117 |
| Deferred revenue | 155,071 | 73,168 |
| Notes payable – current portion | <u>41,153</u> | <u>498,074</u> |
| Total current liabilities (payable from unrestricted assets) | <u>322,566</u> | <u>693,312</u> |
| CURRENT LIABILITIES (payable from restricted assets) | | |
| Client trust deposits | <u>66,017</u> | <u>63,031</u> |
| LONG TERM LIABILITIES (payable from unrestricted assets) | | |
| Notes payable – long term portion | <u>326,793</u> | <u>-</u> |
| Total liabilities | <u>715,376</u> | <u>756,343</u> |
| NET ASSETS | | |
| Temporarily restricted | <u>61,875</u> | <u>28,412</u> |
| Total liabilities and net assets | <u>\$ 777,251</u> | <u>\$ 784,755</u> |

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|--------------------|--------------------|
| Changes in temporarily restricted net assets: | | |
| Revenues and support - | | |
| Grants and contracts | \$ 2,204,671 | \$ 2,148,924 |
| Contributions | - | 722 |
| Fees | 39,439 | 55,623 |
| Donated services/facilities | 550,822 | 408,417 |
| Other revenue | 49,590 | 36,828 |
| Net assets released from restrictions | <u>(2,811,059)</u> | <u>(2,487,098)</u> |
| Change in temporarily restricted net assets | <u>33,463</u> | <u>163,416</u> |
| Changes in unrestricted net assets: | | |
| Net assets released from restrictions | <u>2,811,059</u> | <u>2,487,098</u> |
| Program expenses - | | |
| Legal services | 2,292,509 | 1,992,883 |
| Elderly protective services | <u>176,266</u> | <u>161,621</u> |
| Total program expenses | <u>2,468,775</u> | <u>2,154,504</u> |
| Supporting expense: | | |
| Administrative | <u>342,284</u> | <u>332,594</u> |
| Total expenses | <u>2,811,059</u> | <u>2,487,098</u> |
| Change in unrestricted net assets | <u>-</u> | <u>-</u> |
| Total change in net assets | 33,463 | 163,416 |
| Net assets, beginning | <u>28,412</u> | <u>(135,004)</u> |
| Net assets, ending | <u>\$ 61,875</u> | <u>\$ 28,412</u> |

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2007

| | Legal Services | Elderly Protective Services | Administrative | Total Expenses |
|-----------------------------------|---------------------|-----------------------------------|-------------------|---------------------|
| Salaries and wages: | | | | |
| Lawyers | \$ 514,160 | \$ 7,478 | \$ 102,113 | \$ 623,751 |
| Non-lawyers | 361,777 | 105,084 | 131,807 | 598,668 |
| Employee benefits | 193,255 | 25,553 | 50,864 | 269,672 |
| Space cost and renovations | 111,058 | 6,600 | - | 117,658 |
| Equipment rentals and maintenance | 79,871 | 769 | 6,887 | 87,527 |
| Office supplies and expenses | 37,751 | 3,374 | 3,458 | 44,583 |
| Travel and training | 72,471 | 13,371 | 8,636 | 94,478 |
| Utilities | 39,530 | - | - | 39,530 |
| Telephone | 49,688 | 6,261 | 236 | 56,185 |
| Insurance | 24,486 | 1,754 | - | 26,240 |
| Depreciation | 17,169 | - | - | 17,169 |
| Donated services | 505,822 | - | - | 505,822 |
| Contract services | 158,733 | - | 3,000 | 161,733 |
| Membership fees | 13,562 | 20 | 775 | 14,357 |
| Litigation costs | 17,655 | - | - | 17,655 |
| Baton Rouge Bar Subgrant | 38,000 | - | - | 38,000 |
| Interest expense | 12,024 | - | 30,286 | 42,310 |
| Access to justice | 4,515 | - | - | 4,515 |
| Staff parking | 20,382 | 2,880 | 3,825 | 27,087 |
| Audit fees | 18,600 | 2,200 | - | 20,800 |
| Miscellaneous | 2,000 | 922 | 397 | 3,319 |
| | <u>\$ 2,292,509</u> | <u>\$ 176,266</u> | <u>\$ 342,284</u> | <u>\$ 2,811,059</u> |

See Notes To Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2006

| | Legal Services | Elderly Protective Services | Administrative | Total Expenses |
|-----------------------------------|---------------------|-----------------------------------|-------------------|---------------------|
| Salaries and wages: | | | | |
| Lawyers | \$ 440,592 | \$ 9,757 | \$ 93,152 | \$ 543,501 |
| Non-lawyers | 345,779 | 98,353 | 135,313 | 579,445 |
| Employee benefits | 159,647 | 25,727 | 51,194 | 236,568 |
| Space cost and renovations | 115,793 | 6,000 | 1,379 | 123,172 |
| Equipment rentals and maintenance | 50,044 | 685 | 597 | 51,326 |
| Office supplies and expenses | 32,339 | 2,787 | 2,623 | 37,749 |
| Travel and training | 44,557 | 7,946 | 12,068 | 64,571 |
| Utilities | 44,918 | - | - | 44,918 |
| Telephone | 49,295 | 3,675 | 1,561 | 54,531 |
| Insurance | 30,118 | 1,627 | - | 31,745 |
| Depreciation | 27,466 | - | - | 27,466 |
| Donated services | 408,417 | - | - | 408,417 |
| Contract services | 117,422 | - | 4,846 | 122,268 |
| Membership fees | 11,353 | 20 | 455 | 11,828 |
| Litigation costs | 2,420 | - | - | 2,420 |
| Baton Rouge Bar Subgrant | 38,000 | - | - | 38,000 |
| Interest expense | 28,411 | - | 21,220 | 49,631 |
| Other supplies | 229 | - | 1,258 | 1,487 |
| Access to justice | 4,515 | - | - | 4,515 |
| Staff parking | 10,090 | 2,500 | 3,575 | 16,165 |
| Audit fees | 20,400 | 1,900 | - | 22,300 |
| Miscellaneous | 11,078 | 644 | 3,353 | 15,075 |
| | <u>\$ 1,992,883</u> | <u>\$ 161,621</u> | <u>\$ 332,594</u> | <u>\$ 2,487,098</u> |

See Notes To Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 33,463 | \$ 163,416 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 17,169 | 27,466 |
| Donated land | (45,000) | - |
| Changes in assets and liabilities – | | |
| (Increase) decrease in assets: | | |
| Grants and contracts receivable | 55,381 | (11,920) |
| Other current receivables | 19,247 | (15,713) |
| Prepaid expenses | (15,723) | 1,352 |
| Cash restricted for client trusts | (5,423) | (1,050) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (1,900) | 13,293 |
| Accrued liabilities | 711 | (4,283) |
| Accrued annual leave | 5,461 | (2,963) |
| Deferred revenues | 81,903 | 27,511 |
| Client trust deposits | <u>2,986</u> | <u>217</u> |
| Net cash provided by operating activities | <u>148,275</u> | <u>197,326</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of fixed assets | <u>(7,728)</u> | <u>(12,024)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of debt | - | 139,751 |
| Decrease in bank overdraft | - | (87,487) |
| Net payments on revolving line of credit | - | (69,303) |
| Principal payments on long-term debt | <u>(130,129)</u> | <u>(99,131)</u> |
| Net cash used in financing activities | <u>(130,129)</u> | <u>(116,170)</u> |
| Net decrease in cash and cash equivalents | 10,418 | 69,132 |
| Cash and cash equivalents, beginning | <u>111,038</u> | <u>41,906</u> |
| Cash and cash equivalents, ending | <u>\$ 121,456</u> | <u>\$ 111,038</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the period for interest | <u>\$ 39,676</u> | <u>\$ 52,564</u> |

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Capital Area Legal Services Corporation (the "Corporation") is a nonprofit organization created in 1958, previously known as the Legal Aid Society; in 1974 the name was changed to Capital Area Legal Services Corporation. The purpose of the Corporation is to provide legal assistance in non-criminal proceedings or matters to persons financially unable to afford such counsel. The Corporation is funded primarily by Legal Services Corporation (the "LSC"), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. The Corporation provides legal assistance to residents in the following parishes in the State of Louisiana: Ascension, Assumption, East Baton Rouge, East Feliciana, Iberville, LaFourche, Pointe Coupee, St. Charles, St. James, St. John the Baptist, Terrebonne, and West Feliciana Parishes. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America and the requirements of LSC. The more significant accounting policies of the Corporation are described below:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation:

The Corporation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All support reported in the Corporation's financial statements are classified as temporarily restricted.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

For reporting purposes, the Corporation considers all highly liquid investment securities purchased with an original maturity of three months or less to be cash equivalents.

Client trust escrow funds:

Funds received from clients are deposited into a separate cash account and restricted for the payment of expenses in connection with related litigation.

Fixed assets:

Fixed assets are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The following is a summary of the estimated useful lives used:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 40 |
| Furniture and equipment | 3 – 10 |
| Library | 5 |

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Compensated absences:

Full time employees earn vacation leave at a rate of 10 hours per month. Employees with three to five years of service earn 12 hours per month and employees with five or more years of service earn 14 hours per month of vacation leave. Maximum annual leave that can be carried over to subsequent years is 80 hours. Accrued annual leave at December 31, 2007 and 2006 totaled \$39,578 and \$34,117 respectively.

Deferred revenue:

Deferred revenue is recognized for grants, awards, or other income received which are not considered to be earned at balance sheet date.

Support:

The Corporation recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with LSC regulations, the Corporation may retain unexpended grant funds for use in future periods provided such funds are not in excess of 10% of the recipient's annualized funding and expenses incurred are in compliance with the specified terms of the grant agreement. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance on behalf of the Corporation with the terms of the grant agreement. In addition, should the Corporation terminate its legal assistance activities, all unexpended funds are to be returned to LSC.

The Corporation received funding from the following Council on Aging Agencies: Capital Area Agency on Aging, Inc., East Baton Rouge Council on Aging, Inc., LaFourche Council on Aging, Inc., St. Charles Council on Aging, Inc., St. James Area Agency on Aging, St. John Council on Aging, Inc., and Terrebonne Council on Aging, Inc. to provide legal services to elderly citizens under Title III of the Older Americans' Act of 1965.

The Corporation also received funds from the following governmental entities: Ascension Parish Government, Assumption Parish Police Jury, City of Baton Rouge – Parish of East Baton Rouge, Iberville Parish Government, Pointe Coupee Parish Police Jury, St. John Parish Government, St. James Parish Government, Terrebonne Parish Consolidated Government, Lafouche Parish Government, West Baton Rouge Parish Government and West Feliciana Parish Police Jury to provide civil legal services to low-income and elderly citizens.

Additional funding is further detailed in Note 6.

Contributions:

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period. Donated assets, such as real estate, are recorded at the estimated fair market value on the date of donation.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Income taxes:

The Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Corporation has been classified as an organization that is not a private foundation under Section 509(a)(2).

Private attorney involvement (PAI):

LSC requires that an amount equal to 12.5% of the basic field award of recipients be devoted to the involvement of private attorneys in the delivery of legal assistance to eligible clients. Expenses incurred in PAI include all expenses directly related to private attorney involvement as well as an allocation of indirect (overhead) expenses. In general, indirect (overhead) expenses are allocated based on the ratio of direct PAI salary costs in relation to total salary costs of all attorneys, paralegals, and support staff. During 2007, the corporation spent 11.09% of the basic field award on PAI expenses. The company was granted a partial waiver of \$32,000 by LSC.

Note 2. Cash and Cash Equivalents

The Corporation maintains bank accounts at several banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At certain times during the year, deposits may exceed insurance coverage.

Note 3. Grants and Contracts Receivable

Grants and contracts receivable at December 31, 2007 and 2006 consisted of the following:

| | 2007 | 2006 |
|--|------------------|-------------------|
| State of Louisiana | \$ 19,491 | \$ 95,050 |
| Ascension Parish Government | 2,250 | 2,250 |
| Assumption Parish Police Jury | 1,050 | 2,100 |
| Terrebonne Parish Consolidated Government | 5,903 | 5,253 |
| Capital Area Family Violence Intervention Center, Inc. | 20,532 | - |
| East Baton Rouge Council on Aging, Inc. | 2,441 | - |
| Capital Area Agency on Aging, Inc. | - | 322 |
| St. James Parish Council on Aging, Inc. | - | 500 |
| East Baton Rouge City Courts | 2,941 | 4,514 |
| Total grants and contracts receivable | <u>\$ 54,608</u> | <u>\$ 109,989</u> |

Note 4. Rental Property

In 2001, the Corporation purchased an office building in Gonzales, Louisiana. The Corporation uses approximately 17% of the building to provide legal services to the residents of Ascension, Assumption, St. James, and St. John the Baptist Parishes. The remaining space in the building is available for lease. During 2007, the Corporation leased available space to two tenants. Both leases expired during the year and the tenants did not renew leases. At year end the available space remained vacant.

Total rental income recognized for the years ended December 31, 2007 and 2006 totaled \$24,458 and \$29,586, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 5. Fixed Assets

Fixed assets, including a legal library, are considered owned by the Corporation while in use by the program or in future authorized programs. However, certain funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. LSC has a reversionary interest in those fixed assets purchased with LSC funds. Fixed assets are recorded at cost and depreciation is computed on a straight-line basis over the useful lives of the assets. A summary of fixed assets is as follows:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------|-------------------|-------------------|
| Buildings and improvements | \$ 532,250 | \$ 532,250 |
| Furniture and equipment | 275,525 | 267,796 |
| Library | 38,557 | 38,557 |
| Land | <u>45,000</u> | <u>-</u> |
| Total fixed assets | 891,332 | 838,603 |
| Less: accumulated depreciation | <u>(389,055)</u> | <u>(371,886)</u> |
| Net fixed assets | <u>\$ 502,277</u> | <u>\$ 466,717</u> |

Depreciation expense for the years ended December 31, 2007 and 2006 totaled \$17,169 and \$27,466, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6. Summary of Funding

The following details the funding of the Corporation for the year ended December 31, 2007:

| <u>Funding Source</u> | <u>Period</u> | <u>Support</u> |
|---|---------------------|-------------------|
| LSC: | | |
| Basic Field - General Grant | 01/01/07 – 12/31/07 | \$ 1,366,336 |
| Louisiana Bar Foundation: | | |
| IOLTA Grant | 01/01/07 – 12/31/07 | \$ 152,397 |
| IOLTA Grant - special | 07/01/06 – 06/30/07 | 26,830 |
| | | <u>\$ 179,227</u> |
| State of Louisiana, Governor's Office of Elderly Affairs, Elderly Protective Services Program: | | |
| 2006 – 2007 Grant | 07/01/06 – 06/30/07 | \$ 86,105 |
| 2007 – 2008 Grant | 07/01/07 – 06/30/08 | 87,252 |
| Professional Services Contract | | |
| 2006 – 2007 Grant | 07/01/06 – 06/30/07 | 5,000 |
| 2007 – 2008 Grant | 07/01/07 – 06/30/08 | 2,305 |
| | | <u>\$ 180,662</u> |
| Capital Area Agency on Aging, Inc.: | | |
| 2006 – 2007 Grant | 07/01/06 – 06/30/07 | \$ 9,180 |
| 2007 – 2008 Grant | 07/01/07 – 06/30/08 | 4,893 |
| | | <u>\$ 14,073</u> |
| East Baton Rouge Parish Council on Aging, Inc. | 07/01/07 – 06/30/08 | \$ 14,645 |
| Lafourche Council on Aging, Inc.: | | |
| 2006 – 2007 Grant | 07/01/06 – 06/30/07 | \$ 2,531 |
| 2007 – 2008 Grant | 07/01/07 – 06/30/08 | 2,532 |
| | | <u>\$ 5,063</u> |
| St. Charles Council on Aging, Inc. | | |
| 2003 – 2007 Grant | 07/01/03 – 06/30/07 | \$ 900 |
| 2007 – 2011 Grant | 07/01/07 – 06/30/11 | 900 |
| | | <u>\$ 1,800</u> |
| St. James Area Agency on Aging: | | |
| 2005 – 2007 Grant | 07/01/05 – 06/30/07 | \$ 500 |
| 2007 – 2008 Grant | 07/01/07 – 06/30/08 | 500 |
| | | <u>\$ 1,000</u> |

(continued)

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6. Summary of Funding (continued)

| <u>Funding Source</u> | <u>Period</u> | <u>Support</u> |
|--|---------------------|-------------------|
| St. John Council on Aging, Inc.: 2007 – 2009 Grant | 08/01/07 – 06/30/09 | \$ <u>1,645</u> |
| Terrebonne Council on Aging, Inc.: 2006 – 2007 Grant | 07/01/06 – 06/30/07 | \$ 2,572 |
| 2007 – 2008 Grant | 07/01/07 – 06/30/08 | <u>2,490</u> |
| | | \$ <u>5,062</u> |
| Ascension Parish Government | 01/01/07 – 12/31/07 | \$ <u>15,000</u> |
| Assumption Parish Police Jury | 01/01/07 – 12/31/07 | \$ <u>4,200</u> |
| City of Baton Rouge – Parish of East Baton Rouge | 01/01/07 – 12/31/07 | \$ <u>39,300</u> |
| St. John Parish Government | 01/01/07 – 12/31/07 | \$ <u>10,000</u> |
| Iberville Parish Government | 01/01/07 – 12/31/07 | \$ <u>10,000</u> |
| Lafourche Parish Government | 01/01/07 – 12/31/07 | \$ <u>5,800</u> |
| West Baton Rouge Parish Government | 01/01/07 – 12/31/07 | \$ <u>5,800</u> |
| Pointe Coupee Parish Police Jury | 01/01/07 – 12/31/07 | \$ <u>5,800</u> |
| St. James Parish Government | 01/01/07 – 12/31/07 | \$ <u>5,800</u> |
| Terrebonne Parish Consolidated Government | 01/01/07 – 12/31/07 | \$ <u>15,000</u> |
| West Feliciana Parish Police Jury | 01/01/07 – 12/31/07 | \$ <u>6,030</u> |
| Entergy Charitable Foundation, Utility Advocacy Project | 01/01/07 – 12/31/07 | \$ <u>25,000</u> |
| State of Louisiana, Attorney General's Office: 2006 – 2007 Grant | 07/01/06 – 06/30/07 | \$ 62,500 |
| 2007 – 2008 Grant | 07/01/07 – 06/30/08 | <u>125,000</u> |
| | | \$ <u>187,500</u> |
| Capital Area Family Violence Intervention Center, Inc. | 07/01/05 – 06/30/07 | \$ <u>87,465</u> |

(continued)

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 6. Summary of Funding (continued)

| <u>Funding Source</u> | <u>Period</u> | <u>Support</u> |
|--|---------------|---------------------|
| Southeast Louisiana Legal Services Road Home Contract | | \$ <u>12,463</u> |
| Total grants and contracts | | \$ <u>2,204,671</u> |
| Other revenue sources | | \$ <u>639,851</u> |
| Total support and revenues | | \$ <u>2,844,522</u> |

Note 7. Lease of Facilities

The Corporation leases various buildings to serve as branch offices. For the years ended December 31, 2007 and 2006, the Corporation expended \$87,430 and \$83,025, respectively, on lease payments. The following details the written lease agreements in effect for the year ended December 31, 2007:

- Houma office: \$1,027 per month automatically renews each year at the end of May.
- Baton Rouge office: \$6,250 per month for the period December 1, 2006 – November 30, 2007. The lease payments increased to \$6,500 per month for the period December 1, 2007 – November 30, 2008.

Future minimum lease payments required under these operating lease agreements is as follows:

| <u>Years Ending</u> <u>December 31,</u> | |
|--|------------------|
| 2007 | \$ <u>76,635</u> |

Note 8. Grants to Other Agencies

For the years ended December 31, 2007 and 2006, the Corporation granted \$38,000 of LSC funds to the Baton Rouge Bar Foundation. This subgrantee is a pro bono program, which uses the funds to provide civil legal services to low-income persons eligible for representation by the Corporation. As of December 31, 2007, this subgrantee had expended the entire 2007 grant award.

Note 9. Donated Services

Donated services, meeting the criteria for recognition in accordance with generally accepted accounting principles, are recognized both as support and expense. Donated services recognized within the financial statements are valued at the rate normally charged for similar services in the surrounding area. All donated services are classified as non-LSC program expenses.

Donated services received for the years ended December 31, 2007 and 2006 totaled \$505,822 and \$408,417, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 10. Notes Payable

Notes payable at December 31, 2007 and 2006 consisted of the following:

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|------------------|
| Note payable, Whitney National Bank, 8.25% rate of interest, secured by a mortgage on Gonzales building, note dated November 15, 2001, monthly principal and interest payments of \$3,187, final payment due July 13, 2012. | \$ 337,584 | \$ 345,671 |
| Note payable, Capital One, 9.50% interest, secured by a mortgage on the Corporation's Donaldsonville building, note dated April 6, 2001, due on demand, if no demand is made, monthly principal and interest payments of \$1,015, final payment due June 6, 2010. | 27,762 | 36,307 |
| Note payable, Hancock Bank, 9.25% interest, secured by the Corporation's accounts receivable and intangibles, noted January 24, 2006 due on demand if no demand is made, monthly principal and interest payments of \$3113, final payment due January 24, 2008. | 2,600 | 38,624 |
| Note payable, Hancock Bank of Louisiana, variable rate of interest equal to prime plus 2 points, 10.25% at end of year, secured by the Corporation's secured by specific UCC on \$180,000 of grant receivable, dated August 29, 2006, due on demand, if no demand is made interest is due monthly with final principal payment due August 29, 2007. | - | 61,103 |
| Note payable, Hancock Bank of Louisiana, 9.50% interest, secured by the Corporation's accounts receivable and intangibles, note dated November 7, 2005, due on demand, if no demand is made, monthly payments of \$3,357, final payment due May 5, 2007. | <u>-</u> | <u>16,369</u> |
| Total notes payable | 367,946 | 498,074 |
| Less: current portion of notes payable | <u>(41,153)</u> | <u>(498,074)</u> |
| Long-term notes payable | <u>\$ 326,793</u> | <u>\$ -</u> |

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 10. Notes Payable (continued)

Notes payable of the Corporation which have due on demand clauses are classified as current at December 31, 2007, regardless of payment schedule. Maturities of long-term notes payable for each of the next five years and in aggregate thereafter, if banks do not exercise due on demand clause, is expected to be as follows:

| | |
|--------|-------------------|
| 2008 | \$ 23,363 |
| 2009 | 22,679 |
| 2010 | 19,549 |
| 2011 | 13,811 |
| 2012 | <u>288,544</u> |
| Totals | <u>\$ 367,946</u> |

Note 11. Lines of Credit

The Corporation had line of credit available in the amount of \$50,000. Interest on this line of credit is stated at a variable rate equal to prime plus 1.25 points. This line of credit has no stated maturity date and will continue until terminated by the bank. The balance on this line of credit amounted to \$49,968 as of December 31, 2007.

Note 12. Federal and State Grants

The Corporation participates in a number of federal and state grant programs that are fully or partially funded by grants received from other governmental entities. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. It is possible that in the event of non-compliance with conditions of grants received, that the Corporation would have to refund to the granting agency those expenditures not deemed to be in compliance. However, management has no knowledge of any liability for refunds to any granting agencies as of December 31, 2007 and through the date of this report.

Note 13. Deferred Compensation Plan

In 2002, the Corporation established a 401 (k) plan (the "Plan") for those employees who meet the eligibility requirements set forth in the Plan. The amount of contributions to the Plan is at the discretion of the Board of Directors; the Board of Directors has established a 3% employer matching contribution rate. The Corporation's matching contributions to the Plan for the years ended December 31, 2007 and 2006 totaled \$21,927 and \$22,460, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 14. Temporarily Restricted Net Assets

As of December 31, 2007 and 2006, temporarily restricted net assets were as follows:

| | <u>2007</u> | <u>2006</u> |
|---------------------|------------------|------------------|
| LSC – operating | \$ - | \$ (28,149) |
| Property | 136,931 | 84,739 |
| Non-LSC (operating) | <u>(75,056)</u> | <u>(28,178)</u> |
| | <u>\$ 61,875</u> | <u>\$ 28,412</u> |

During 2007, the Corporation transferred from non-LSC net assets \$28,149 to cover prior LSC operating deficits.

Note 16. Concentrations

The Corporation receives a significant portion of its total support from granting agencies. In particular, LSC accounted for 48% and 49% of the total support of the Corporation in 2007 and 2006, respectively.

Note 17. Donated Facilities

Donated facilities are recorded at fair market value as increase to revenues and assets in accordance with generally accepted accounting principles. During 2007, the Corporation received three residential lots values at \$45,000.

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SUPPLEMENTARY INFORMATION

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF REVENUES, SUPPORT, AND EXPENSES
 LEGAL SERVICES CORPORATION - BASIC FIELD – GENERAL
 Year Ended December 31, 2007

| | General | Private Attorney Involvement | Total |
|-------------------------------------|------------------|------------------------------------|------------------|
| LSC basic field – income | \$ 1,195,176 | \$ 171,162 | \$ 1,366,338 |
| LSC – interest income | 2,862 | - | 2,862 |
| LSC – CLE income | 3,675 | - | 3,675 |
| | <u>1,201,713</u> | <u>171,162</u> | <u>1,372,875</u> |
| Salaries: | | | |
| Lawyers | 378,343 | 2,380 | 380,723 |
| Non-lawyers | 317,219 | 31,804 | 349,023 |
| Employee benefits | 184,538 | 1,339 | 185,877 |
| Space cost and renovations | 4,950 | - | 4,950 |
| Equipment rentals and maintenance | 48,997 | 1,515 | 50,512 |
| Office supplies and expenses | 54,156 | 2,259 | 56,415 |
| Travel and training | 23,965 | 5,675 | 29,640 |
| Utilities | 36,415 | 1,126 | 37,541 |
| Library maintenance | 18,023 | 2,121 | 20,144 |
| Telephone | 459 | 1 | 460 |
| Insurance | 12,345 | 356 | 12,701 |
| Contract services | 87,882 | 59,736 | 147,618 |
| Membership fees | 5,370 | 30 | 5,400 |
| Litigation costs | 902 | 416 | 1,318 |
| Baton Rouge Bar Subgrant | - | 38,000 | 38,000 |
| Interest expense | 12,003 | - | 12,003 |
| Other supplies | 12,429 | 1,215 | 13,644 |
| Staff parking | 12,015 | 840 | 12,855 |
| Audit fees | 7,750 | 2,600 | 10,350 |
| Fundraising expenses | - | - | - |
| Miscellaneous | 3,601 | 100 | 3,701 |
| | <u>1,221,362</u> | <u>151,513</u> | <u>1,372,875</u> |
| Total expenses | | | |
| | <u>1,221,362</u> | <u>151,513</u> | <u>1,372,875</u> |
| Revenue and support net of expenses | \$ (19,649) | \$ 19,649 | \$ - |

CAPITAL AREA LEGAL SERVICE CORPORATION

SCHEDULE OF GRANT AWARDS EXPENDED
LOUISIANA BAR FOUNDATION - IOLTA GRANT
Year Ended December 31, 2007

Regular Grant Award:

| | |
|-------------------------------------|----------------|
| Grant award | \$ 152,397 |
| Direct expenses - | |
| Salaries and wages: | |
| Lawyers | 80,008 |
| Non-lawyers | 31,264 |
| Employee benefits | 23,330 |
| Office Supplies | 2,000 |
| Travel and training | 4,962 |
| Telephone | 658 |
| Membership fees | 480 |
| Access to justice | 4,515 |
| Staff parking | 1,680 |
| Litigation cost | - |
| Audit fees | 3,500 |
| | <u>152,397</u> |
| Total expenses | <u>152,397</u> |
| Grant award, net of direct expenses | \$ <u>-</u> |

Special Grant Award:

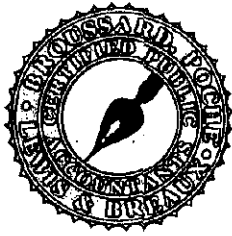
| | |
|-------------------------------------|---------------|
| Grant award received | \$ 19,550 |
| Plus: grant award deferred | <u>7,280</u> |
| Grant income recognized | <u>26,830</u> |
| Direct expenses: | |
| Salaries and wages - | |
| Lawyers | 22,841 |
| Employee benefits | 3,509 |
| Staff parking | 480 |
| | <u>26,830</u> |
| Total expenses | <u>26,830</u> |
| Grant award, net of direct expenses | \$ <u>-</u> |

CAPITAL AREA LEGAL SERVICES CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Federal Expenditures |
|---|---------------------------|-------------------------|
| Legal Services Corporation: Basic Field -- General Grant | 09.61901 | \$ 1,366,336 |
| U.S. Department of Justice Pass-Through Program From - Capital Area Family Violence Intervention Center, Inc. Legal Assistance for Victims | 16.524 | <u>87,465</u> |
| Total expenditures of federal awards | | <u>\$ 1,453,801</u> |

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal Awards includes the federal grant activity of Capital Area Legal Services Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

4112 West Congress
P.O. Box 61400
Lafayette, Louisiana 70596-1400
phone: (337) 988-4930
fax: (337) 984-4574
www.bplb.com

Other Offices:

Crowley, LA
(337) 783-5693
Opelousas, LA
(337) 942-5217
Abbeville, LA
(337) 898-1497
New Iberia, LA
(337) 364-4554
Church Point, LA
(337) 684-2855

Herbert Lemoine II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
L. Charles Abshire, CPA*
P. John Blanchet, III, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
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Fayette T. Dupré, CPA*
Mary A. Castille, CPA*
Joey L. Breau, CPA*
Terrel P. Dressel, CPA*
Craig J. Viator, CPA*
Stacey E. Singleton, CPA*
John L. Istre, CPA*

Retired:

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Leon K. Poché, CPA 1984
James H. Breau, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Lawrence A. Cramer, CPA* 1999
Ralph Friend, CPA* 2002
Donald W. Kelley, CPA* 2005

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

We have audited the financial statements of Capital Area Legal Services Corporation (a nonprofit organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated April 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink, reading "Bernard Piche Lewis, President". The signature is written in a cursive, flowing style.

Lafayette, Louisiana
April 21, 2008



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4112 West Congress
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Lafayette, Louisiana 70596-1400
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Capital Area Legal Services Corporation (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation, that are applicable to each of its major federal programs for the year ended December 31, 2007. Capital Area Legal Services Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on Capital Area Legal Services Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations;" and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capital Area Legal Services Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Capital Area Legal Services Corporation's compliance with those requirements.

In our opinion, Capital Area Legal Services Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that non compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Lafayette, Louisiana
April 21, 2008

CAPITAL AREA LEGAL SERVICES CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

We have audited the financial statements of Capital Area Legal Services Corporation as of and for the year ended December 31, 2007, and have issued our report thereon dated April 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations;" and the provisions of Legal Services Corporation's Accounting Guide for LSC Recipients and Compliance Supplement for Audits of LSC Recipients. Our audit of the financial statements as of December 31, 2007, resulted in an unqualified opinion.

Section I. Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes ☐ No ☒ Reportable Conditions Yes ☐ No ☒

Compliance

Compliance Material to Financial Statements Yes ☐ No ☒

b. Federal Awards

Internal Control

Material Weaknesses Yes ☐ No ☒ Reportable Conditions Yes ☐ No ☒

Type of Opinion on Compliance ☒ Unqualified ☐ Qualified
For Major Programs ☐ Disclaimer ☐ Adverse

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)? Yes ☐ No ☒

c. Identification of Major Programs

CDFA Number Name of Federal Program

09.619010 Basic Field - General

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? Yes ☐ No ☒

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

None.

CAPITAL AREA LEGAL SERVICES CORPORATION

**SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2007**

Section I. Internal Control and Compliance Material to the Financial Statements

None.

Section II. Internal Control and Compliance Material to Federal Awards

None.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2006.

MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2007

None reported.

None reported.

There were no matters reported in a separate management letter for the year ended December 31, 2007.

Responsible party: James A. Wayne, Sr.
Executive Director